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By Andrea Shalal-Esa, Reuters

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WASHINGTON -- U.S. lawmakers are puzzled by a Pentagon estimate that it would cost \$7 billion extra to split a potential \$35 billion refueling plane contract between two bidders, and say they may still move forward on such a plan despite Defense Secretary Robert Gates' vehement opposition.

"I think the question should remain open. I have no doubt that we'll take it up when we get back and start putting together the defense bill, and the attendant appropriations," said Representative Neil Abercrombie, who heads the House Armed Services Committee's subcommittee for air and land weapons.

Last month, Abercrombie joined Representative John Murtha, the powerful head of the House Appropriations Committee's defense subcommittee, in backing a plan that would guarantee both Boeing Co and the rival team of Northrop Grumman Corp and Europe's EADS part of the order.

Murtha and others argue that awarding the contract to just one of the two bidders, in what would be the Air Force's third attempt in eight years to start replacing its aging KC-135 tankers, would likely spark a protest from the losing bidder.

That would further delay replacing the nearly 50-year-old tankers, which provide fuel for fighters and other U.S. aircraft when they travel long distances, they say.

If the Air Force bought 12 to 15 tankers each year as planned, it would take decades to replace the current fleet of over 500 KC-135 tankers, and some would be nearly 90 years old by the time they stopped flying.

Murtha had no immediate comment on Gates' recent comments on the tanker or his estimate of the expected development costs, but Murtha's spokesman Matthew Mazonkey said the congressman would continue to work closely with the Pentagon.

"We'll continue to work with the Defense Department on a plan that breaks the current stalemate and gets tankers to our service members faster," Mazonkey told Reuters in an email.

The Air Force's first effort to replace its tankers, rooted in the post-September 11 collapse of the commercial airliner market, collapsed amid a major procurement scandal. Northrop won a second competition in February 2008, but that was canceled after government auditors upheld a Boeing challenge.

Last month, Murtha said he was considering adding several billion dollars to a new Pentagon war spending request for fiscal 2009 to finally get new tankers to the Air Force.

Gates reiterated last week his strong opposition to splitting the tanker orders, saying that would result in extra logistics, maintenance and training costs. Developing one tanker alone would cost \$7 billion over five years and adding a second plane would double that to \$14

billion, he said.

He threw down the gauntlet about the issue during a speech at the Air War College in Montgomery, Alabama, last week, telling an officer who questioned him: "I am opposing the dual tanker buy. I am laying my body down across the tracks."

Gates already faces multiple battles with lawmakers about a host of programs he wants to end or curtail, plans that have raised concerns about job losses in key states.

But many lawmakers also have strong views about the tanker program.

Gates said the Pentagon should launch a new tanker competition this summer and award a contract in summer 2010.

Abercrombie told Reuters he could not understand how Gates arrived at the \$7 billion in development cost for one tanker, or \$14 billion for two, given that both the Boeing and Airbus tankers were based on a commercially built airplane.

"We're dealing with two commercial airliners essentially. We're dealing with a flying gas tank essentially," he said.

Jacques Gansler, former Pentagon acquisition chief, last year studied a competitive dual-sourcing strategy and concluded it could actually lead to cost savings since the companies would be motivated to trim costs and offer favorable contract conditions to secure a bigger piece of the orders.

Abercrombie also questioned whether the Air Force would be able to issue new terms for the competition by this summer and pick a sole winner by next year, given concerns about protests.

He said the last competition was marked by "an incredible amount of hullabaloo and court action," and awarding a deal to just one winner would likely spark additional protests.

Industry executives declined to speak on the record, but echoed Abercrombie's concerns about additional protests, especially since many key details about the pricing of the bids had been released over the past year. They also questioned Gates' estimate of the development costs involved.

"We are scratching our heads," said one source, who asked not to be named. "We don't know where that figure came from."

Northrop's initial tanker "system design and development" was valued at \$1.8 billion and covered work on four initial airplanes. Even doubling that amount would still result in far less than the \$7 billion cited by Gates, analysts said.

Abercrombie said maintenance and operating costs would also be far lower for the new airplanes.

The old tankers will also need billions of dollars of reskinning work in several years, but some of that work could be avoided by accelerating their replacement, said one congressional aide, who asked not to be named.